

12 February 2025

Global Markets Research
Daily Market Highlights

12 Feb: The Fed is not in a hurry to adjust policy stance

Powell's testimony sent UST yields up; DXY nonetheless fell ahead of US CPI today

EU intends to retaliate against Trump's 25% tariff on steel and aluminium

Mixed confidence amongst majors - better for EU & Australia; lower for US & Japan

- Treasury yields rose and stocks were little changed after Fed Chairman Jerome Powell, in his semi-annual testimony to the Congress said that the ***Fed is not in a hurry to adjust its policy stance***, citing that it is now significantly less restrictive than it had been, and that the economy remained strong. This signals that the Fed may pause for now in its easing cycle, while market is pencilling in the next full rate cut only in the September FOMC meeting. We will be reviewing our house view post inflation prints this week.
- The S&P 500 and Dow added 0-0.3% d/d, while the Nasdaq lost nearly 0.4%. Within the broad index, consumer staples and real estate were notable gainers, while consumer discretionary and healthcare lagged.
- Elsewhere, European stocks (Stoxx Eur 600: +0.2% d/d) closed higher while Asian stocks closed mixed after ***Trump imposed fresh tariffs (25% tariffs on steel and aluminium imports with no exceptions or exemptions)***. ***The EU responded swiftly, saying that the bloc intends to retaliate against these latest tariffs.*** In corporate news, shares of Kering gained despite reporting a revenue drop, while shares of UniCredit slid amid profit taking after its earnings beat.
- In the bond space, Treasury yields were 1-4bps higher after Powell's testimony and as investors await the CPI prints today. The benchmark 2Y yield climbed 1bps to 4.28%, while the 10Y rose 4bps to 4.54%. 10Y European bond yields were up 1-8bps.
- In the forex space, DXY closed 0.3% d/d lower at 107.96 and the Dollar weakened against all its G10 peers save for the JPY (-0.3% d/d to 152.49) and CHF (-0.2% d/d). Leading gains against the greenback was GBP (+0.6% d/d to 1.2446), even as BOE's Catherine Mann said that she voted for a 50bps rate cut to "cut through the noise" after seeing more evidence of a weakening economy. EUR strengthened 0.5% d/d to 1.0361 after the EU said that it will retaliate against Trump's latest tariffs, while AUD appreciated 0.3% d/d to 0.6295 after Trump said that he is considering giving Australia exemption on the steel and aluminium duties.
- On the regional front, Asian currencies closed mixed against the greenback, with the CNH and SGD appreciating between 0-0.2% d/d

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,593.65	0.28
S&P 500	6,068.50	0.03
NASDAQ	19,643.86	-0.36
Stoxx Eur 600	547.18	0.23
FTSE 100	8,777.39	0.11
Nikkei 225	38,801.17	0.04
CSI 300	3,883.14	-0.46
Hang Seng	21,294.86	-1.06
Straits Times	3,860.76	-0.37
KLCI 30	1,589.95	-0.06
FX		
Dollar Index	107.96	-0.33
EUR/USD	1.0361	0.52
GBP/USD	1.2446	0.63
USD/JPY	152.49	0.32
AUD/USD	0.6295	0.29
USD/CNH	7.3100	-0.01
USD/MYR	4.4703	0.69
USD/SGD	1.3531	-0.16
Commodities		
WTI (\$/bbl)	73.32	1.38
Brent (\$/bbl)	77.00	1.49
Gold (\$/oz)	2,912.50	-0.06
Copper (\$\$/MT)	9,358.00	-0.95
Aluminum(\$/MT)	2,644.00	-0.55
CPO (RM/tonne)	4,731.50	1.20

Source: Bloomberg, HLBB Global Markets Research
 * CPO dated as of 7 Feb; KLCI, USD/MYR dated as of 10 Feb

to close at 7.3100 and 1.3531 respectively. MYR weakened 0.7% d/d to 4.4703 against the Dollar on Monday.

- In the commodity space, oil prices extended gains amid concerns that Russian and Iranian sanctions are disrupting crude supplies, and both the WTI and Brent gained between 1.4-1.5% d/d to close at \$73.32/barrel and \$77.00/barrel respectively.

Optimism amongst small business owners fell in the US

- The NFIB Small Business Optimism index fell more than expected by 2.3ppts to 102.8 in January, its third consecutive month above its long-run average of 98. This suggests that small business owners remained optimistic regarding future business conditions, but uncertainty is on the rise as Main Street owners continue to struggle to find qualified workers, and fewer plan capital investments for the months ahead. Meanwhile, the New York Fed 1Y and 3Y inflation expectations were unchanged at 3.0% for the same month.

Eurozone's investor confidence improved on hopes of a political turnaround

- The Sentix investor confidence index brightened more than expected by 5 points to -12.7 in February, on hopes of a political turnaround after the upcoming federal elections on 23rd February. The assessment of the current situation remained in the deep red zone although improved, while economic expectations for the next 6 months jumped above zero for the first time since July 2024.

Australia's business and consumer confidence improved

- The Westpac consumer confidence index was basically unchanged at +0.1% m/m after falling 0.7% m/m previously, suggesting still pessimistic consumers on caution around stretched household finances. On the business front, the NAB business confidence improved to +4 in January (prior: -2), just below its long-run average of +6, as confidence remained weakest in consumer facing industries and stronger in transport & utilities and mining.

Japan's bank lending held steady; Eco Watchers Outlook unexpectedly fell

- Bank lending held steady at 3.0% y/y January, but the Eco Watcher Outlook index unexpectedly fell for the second month to 48.0 (Dec: 48.8), weighed down by the diffusion indices for households and among non-manufacturers, suggesting continued moderate recovery ahead for the economy.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	106-109	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.05	1.03	1.03	1.05	1.06
GBP/USD	1.23-1.26	1.24	1.24	1.25	1.27
USD/CHF	0.88-0.92	0.91	0.91	0.90	0.88
USD/JPY	148-154	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.58	0.56	0.56	0.57	0.58
USD/CNY	7.24-7.30	7.37	7.30	7.23	7.15
USD/MYR	4.40-4.47	4.55	4.50	4.40	4.35
USD/SGD	1.33-1.37	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00	3.75-4.00
ECB	2.75	2.50	2.00	2.00	2.00
BOE	4.50	4.50	4.25	4.00	4.00
BOJ	0.50	0.50	0.50	0.75	0.75
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
12-Feb	US MBA Mortgage Applications	2.20%
	US CPI Ex Food and Energy YoY (Jan)	3.20%
	US Real Avg Weekly Earnings YoY (Jan)	0.70%
13-Feb	JN PPI YoY (Jan)	3.80%
	AU Consumer Inflation Expectation (Feb)	4.00%
	UK Monthly GDP (MoM) (Dec)	0.10%
	US PPI Final Demand YoY (Jan)	3.30%
	US Initial Jobless Claims	219k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.